

Message Text

PAGE 01 NATO 06217 081647Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-02 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 SS-15 NSC-05 EB-04 COME-00 FRB-01 NIC-01 /066 W

----- 039409

R 081535Z NOV 74

FM USMISSION NATO

TO SECSTATE WASHDC 8659

SECDEF WASHDC

INFO ALL NATO CAPITALS 4627

C O N F I D E N T I A L USNATO 6217

E.O. 11652: GDS

TAGS: ECON, PFOR, NATO

SUBJECT: ECONADS: ECONOMIC DISCUSSIONS AT NATO DECEMBER MINISTERIAL

REF: USNATO 6099

1. AT NOVEMBER 7 ECONOMIC COMMITTEE MEETING, CHAIRMAN DISTRIBUTED FOLLOWING SUGGESTED OUTLINE OF RECENT ECONOMIC DEVELOPMENTS EFFECTING THE ALLIANCE WHICH SPC AND ECONADS MIGHT DISCUSS AT JOINT MEETING PLANNED FOR NOVEMBER 18.

2. QUOTE. SUGGESTED OUTLINE OF THE IMPLICATIONS FOR THE ALLIANCE OF RECENT RECONOMIC DEVELOPMENTS THAT MIGHT BE RAISED AT THE DECEMBER MINISTERIAL MEETING

IN THE COURSE OF THE SIX MONTHS SINCE THE LAST MINISTERIAL MEETING IN OTTAWA THE SERIOUS DETERIORATION IN THE ECONOMIC SITUATION AND OUTLOOK IN THE ALLIED COUNTRIES IS NOW BEGINNING TO AFFECT PARTICULARLY ALL THE QUESTIONS WHICH ARE OF DIRECT CONCERN TO THE ALLIANCE.

2. THE FOUR MAJOR ECONOMIC PROBLEMS THAT ARE FACING US ARE:

- EXCESSIVELY HIGH AND ACCELERATING INFLATION;
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PAGE 02 NATO 06217 081647Z

- INCREASING DIFFICULTIES IN ENSURING THE REQUIRED SUPPLY OF
RAW MATERIALS AND FUEL;

- NEW BALANCE OF TRADE AND PAYMENTS PROBLEMS;

- A SERIOUS THREAT OF RECESSION.

3. THESE PROBLEMS, WHICH ARE CLOSELY INTER-LINKED AND PRESENT IN ALL MEMBER COUNTRIES, POSE EXTREMELY GAVE QUESTIONS FOR THE ALLIANCE.

4.EACH OF THESE FOUR MAJOR ISSUES HAS A DIRECT BEARING ON:

- THE DEFENCE EFFORT ON THE ALLIED COUNTRIES;

- THE INTERNAL POLITICAL AND SOCIAL STABILITY OF MEMBER COUNTRIES;

- THE SOLIDARITY AMONG ALLIED COUNTRIES;

- THE BALANCE OF POWER BETWEEN EAST AND WEST AND OUR BARGAINING POSITION VIS-A-VIS THE EAST
THE EFFECT OF WHICH COULD BE BRIEFLY ANALYZED. END QUOTE.
MCAULIFFE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 08 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO06217
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741185/abbryyiz.tel
Line Count: 76
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: USNATO 6099
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by martinml>; APPROVED <19-Aug-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONADS: ECONOMIC DISCUSSIONS AT NATO DECEMBER MINISTERIAL
TAGS: ECON, PFOR, NATO
To: STATE
SECDEF INFO ALL NATO CAPITALS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005